

Message Text

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PAGE 01 WELLIN 04449 220348Z
ACTION EA-12

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UNCLAS WELLINGTON 04449

FOR PGM/P, PGM/R, VOA, STATE FOR A/NZ, CINCPAC FOR USICA
ADVISOR

EO 11652: N/A
SUBJECT: MEDIA REACTION DOLLAR FALL

1. THE NEW ZEALAND "HERALD" IN ITS THIRD EDITORIAL,
AUGUST 22, UNDER THE HEADING "OIL AND AMERICAN DOLLARS"
COMMENTED:

2. "NO QUICK SOLUTION LOOKS TO BE IN SIGHT FOR THE
ERRATIC BEHAVIOUR OF THE AMERICAN DOLLAR, WHICH CAUSED A
SUSPENSION OF MOST NEW ZEALAND FOREIGN EXCHANGE DEALINGS
ON FRIDAY. PRESIDENT CARTER HAS TOLD OFFICIALS TO FIND
WAYS TO STRENGTHEN THE CURRENCY. BUT IT IS DIFFICULT TO
IMAGINE ANY ACTION SUFFICIENTLY DRASTIC TO RETURN THE
DOLLAR RAPIDLY TO THE LEVEL IT STOOD AT EARLY LAST YEAR.
SINCE THEN IT HAS DECLINED, FOR EXAMPLE, BY 35 PER CENT
AGAINST THE YEN.

3. "IN PART, THE DECLINE OF THE DOLLAR IS A NATURAL
REACTION TO THE MASSIVE TRANSFER OF WEALTH WHICH THE OIL
PRODUCERS HAVE WRUNG FROM OTHERS. OIL IS PRICED IN
AMERICAN DOLLARS. JAPAN AND WEST GERMANY, FOR EXAMPLE,
ARE HAPPILY BUYING OIL (AND OTHER GOODS) WHOSE PRICES,
FOR THEM, HAVE DECLINED IN REAL TERMS. SOME OF THE BENE-
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FIT HAS REACHED NEW ZEALAND. AFFECTED BY ARRESTED COM-
SUMPTION AND A REDUCED REAL PRICE, THE BILL FOR OIL
IMPORTS THIS YEAR WILL BE ABOUT 490 MILLION DOLLARS; NOT
SO LONG AGO IT LOOKED LIKELY TO BE FAR HIGHER.

4. "THE OIL PRODUCERS ARE UPSET AT FINDING THEIR REAL
INCOMES REDUCED, BUT THEIR ACTIONS ARE CONSTRAINED BY A

SURPLUS OF OIL. NEVERTHELESS, IT IS QUESTIONABLE HOW MUCH
LONGER THEY WILL HOLD THE PRICE - AND PERHAPS WHETHER THEY
WILL CONTINUE TO BE PREPARED TO HAVE THE PRICE SET IN A
SEVERELY DEVALUED DOLLAR." ANDERSON

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